

## Message Text

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ACTION SS-25

INFO OCT-01 ADP-00 /026 W

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R 301804Z AUG 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6493

C O N F I D E N T I A L NEW DELHI 10128

EXDIS

FOR JURICH

E. O. 11652: GDS

TAGS: ETRD, IN

SUBJECT: BILATERAL TEXTILE DISCUSSIONS WITH INDIA

REF: A) STATE A-5209 B) TOKYO 10280 C) SINGAPORE 3326

1. BAGCHI CALLED IN ECON COUNSELOR AUGUST 28 REGARDING TEXTILE DISCUSSIONS WITH USG. BAGCHI STATED THAT HE HAS RECENTLY BEEN APPOINTED TEXTILE COMMISSIONER, GOI OFFICIAL IN CHARGE OF ALL TEXTILE MATTERS, AND WILL BE LEAVING HIS PRESENT POSITION IN THE MINISTRY OF COMMERCE. HOWEVER, HE WOULD CONTINUE TO HANDLE INTERNATIONAL TEXTILE MATTERS INCLUDING NEGOTIATIONS WITH USG. HE STATED HE DID NOT WISH TO HAVE ANY MEETING WITH USG UNLESS IT WAS CLEAR IN ADVANCE THAT AGREEMENT WOULD BE CERTAIN OR EXTREMELY LIKELY.
  2. ECON COUNSELOR, DRAWING ON REFS. A AND C, POINTED OUT THAT THE USG OFFER WAS EXTREMELY GENEROUS AND IT WAS IMPOSSIBLE FOR US TO ACCEDE TO THE GOI REQUEST FOR 175 MILLION SWUARE YARDS. BAGCHI QUESTIONED CERTAIN STATISTICS CITED IN REF B; E.G., HANDLOOM EXPORTS ARE CURRENTLY ONLY 12 INSTEAD OF 20 MILLION SQUARE YARDS (EXPECTED TO RISE TO 20 MILLION SQUARE YARDS IN NEXT FIVE YEARS), BUT ACKNOWLEDGED THE GENEROSITY OF THE USG OFFER. HE STATED THAT HE HAD NO DESIRE TO TAKE AN EXTREME POSITION AND THAT HE PERSONALLY APPRECIATED THE STYLE AS WELL AS THE SUBSTANCE OF YOUR POSITION.
- CONFIDENTIAL

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3. BAGCHI THEN SUGGESTED TWO ALTERNATIVE APPROACHES WHICH HE ASKED BE PASSED ON TO YOU. THE FIRST APPROACH WOULD TAKE THE 1973-74 QUOTAS OF 98 AND 29.3 MILLION SQUARE YARDS RESPECTIVELY AND INCREASE THEM BY TWENTY PERCENT EACH. THIS WOULD RESULT

IN A 153 MILLION SQUARE YARD QUOTA (118 MILLION SQUARE YARDS IN GROUP ONE AND 35 MILLION SQUARE YARDS IN GROUP TWO), TO WHICH WOULD BE ADDED THE 15 MILLION SQUARE YARD ONE-SHOT IN GROUP ONE FOR A GRAND TOTAL OF 168 MILLION SQUARE YARDS. ECON COUNSELOR COMMENTED THAT HE COULD NOT SEE ANY POSSIBILITY OF USG ACCEPTING THIS APPROACH.

4. BAGCHI'S SECOND APPROACH PROVIDES FOR A 1974-75 QUOTA OF 164 MILLION SQUARE YARDS (135 FOR GROUP ONE AND 29 FOR GROUP TWO). THERE IS NO MATHEMATICAL JUSTIFICATION FOR THESE NUMBERS. BAGCHI SIMPLY POINTED OUT THAT THE 135 MILLION SQUARE YARD USG OFFER IN GROUP ONE WAS KNOWN TO THE INDIAN INDUSTRY AND THAT THAT THE INDIAN INDUSTRY WOULD REACT VERY SHARPLY AGAINST ANY LOWER GROUP ONE FIGURE OR A REDUCTION IN THE 1973-74 GROUP TWO QUOTA OF 29 MILLION SQUARE YARDS. IN THE FACE OF SUCH AN INDUSTRY POSITION THE GOI WOULD BE UNABLE TO ACCEPT ANY LOWER FIGURES.

5. IN SUBSEQUENT YEARS EACH GROUP WOULD BE INCREASED BY TWENTY PERCENT THOUGH IN THE CASE OF GROUP ONE THIS WOULD BE TWENTY PERCENT OF 120, NOT 135. ECON COUNSELOR EXPRESSED SURPRISE AT SUCH A LARGE GROWTH FACTOR IN FUTURE YEARS, BY BAGCHI INSISTED THAT A GROWTH FACTOR OF THIS MAGNITUDE HAD BEEN VISUALIZED IN EARLIER DISCUSSIONS. THE ONLY DISAGREEMENT HAD BEEN ON THE 1974-75 BASE LEVEL. BAGCHI ALSO STRESSED THAT THE NATURE OF INDIAN EXPORTS WAS SUCH THAT NO MARKET DISRUPTION WOULD OCCUR. AS THE GROWTH RATE IN IMPORTS OF MAN-MADE TEXTILES WAS REDUCED UNDER THE MULTIFIBER AGREEMENT THERE WOULD BE AN INCREASING NEED FOR INDIAN COTTON GREY GOODS. INDIAN MADE-UPS WERE SMALL IN VOLUME AND NOT SUCH AS TO CAUSE PROBLEMS FOR US PRODUCERS.

6. BAGCHI STRESSED THAT HE WAS TOTALLY FLEXIBLE AND WILLING TO ACCOMMODATE USG WISHES IN ANY WAY POSSIBLE WITH RESPECT TO FORMAT. HE DID NOT INSIST ON AN ANNOUNCEMENT OF ALL ASPECTS OF THE AGREEMENT IN 1973 AND HE WAS WILLING TO CONSIDER POSITIVELY ANY PROCEDURAL STEPS YOU MIGHT PROPOSE.  
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